

Minutes of the QCA Secondary Markets Expert Group



Held on: Wednesday 11 April 2018

Venue: Peel Hunt LLP, Moor House, 120 London Wall, London, EC2Y 5ET

Present:

Jon Gerty (Chair)	Peel Hunt LLP	JG
Sunil Dhall	Peel Hunt LLP	SD
Fraser Elms	Herald Investment Management Ltd	FE
Mitchell Gibb	Stifel	MG
Keith Hiscock	Hardman & Co	KH
Jeremy Phillips	CMS	JP
Callum Anderson (minutes)	Quoted Companies Alliance	CA

In attendance:

John Beresford-Pierse	Hybridan LLP	JBP
Melvyn Brown	W.H. Ireland Plc	MB

1. APOLOGIES

Apologies were received from Jasper Berry Andrew Collins, William Garner, John Howes, Claire Noyce, Jack Phillips, Katie Potts, Anthony Robinson, James Stapleton, Stephen Streater, Mark Tubby and Tim Ward.

2. MINUTES OF LAST MEETING (17 January 2018)

The minutes were approved.

3. ISSUES FOR DISCUSSION

	ITEM	ACTION
a)	<p>MiFID II</p> <p>JG explained that ESMA had updated its Q&As on investor protection and intermediaries topics under MiFID II. He noted that the most salient update for the Expert Group was with respect to whether macroeconomic research should be considered research that can be paid for from an RPA and client research charges.</p> <p>He explained that the Q&A stated that if the analysis is substantive, or is deemed to have material value to a recipient firm, it cannot constitute a minor non-monetary benefit and, therefore, portfolio managers must make the commercial decision either to pay for it from their own resources, or refuse to accept the research.</p> <p>The Expert Group noted that ESMA had also updated Q&As on market</p>	None.

	<p>structure, and transparency topics.</p> <p>The Expert Group noted that ESMA had updated the MiFID II/MiFIR transitional transparency calculations for equity and bond instruments, and the transitional transparency calculations for equity and tick sizes under MiFID II.</p> <p>The Expert Group also noted the publication of the RTS on the authorisation, organisation requirements and the publication of transactions for data reporting services providers in the Official Journal of the EU.</p>	
b)	<p>CSDR</p> <p>The Expert Group noted that ESMA had both updated its Q&As on the implementation of CSDR and the Final Report Guidelines on internalised Settlement Reporting under Article 9 of CSDR.</p> <p>The Expert Group noted that, as the provisions regarding the Settlement Regime had not yet published in the Official Journal of the EU – combined with the fact that they would not come into force until two years after this event – meant that this would overlap with the potential transitional period of Brexit. It was questioned to what extent this would in fact affect the UK.</p>	None.
c)	<p>Short Selling Regulation</p> <p>JG explained that ESMA had clarified that rights to subscribe for new shares cannot be used to cover a short sale, where, at the time of entering in to the short sale, there is uncertainty as to whether the new shares subscribed for will be available for settlement in due time.</p>	None.
d)	<p>General Data Protection Regulation (GDPR)</p> <p>JG inquired how other firms were preparing for GDPR coming into force on 25 May 2018. There was general consensus that firms were unlikely to be in full compliance by May 2018, but that concrete strategies towards compliance for this date were in place.</p> <p>It was noted that firms who only dealt with institutional investors faced fewer challenges than those with institutional and retail investors.</p>	None.
e)	<p>Brexit</p> <p>CA explained that the QCA had met with officials responsible for the future economic relationship between the UK and the EU at the Department for Exiting the European Union (DExEU) in mid-March 2018, to discuss the opportunities that could be available to the UK for calibrating capital market regulation after the transition period. He added that the QCA was working to organise a roundtable for corporate members with DExEU's Permanent Secretary.</p>	None.

4. COMMUNICATIONS AND FUTURE MEETINGS

	ITEM	ACTION
a)	<p>Policy Update (February 2018)</p> <p>CA noted the revised QCA Corporate Governance Code would be published by the end of April 2018.</p>	None.
b)	<p>Guest invitations to future meetings</p> <p>KH suggested that Mark Northway of ShareSoc attend a future meeting to discuss.</p> <p>The Expert Group also discussed the potential of inviting Derek Young of the FCA to discuss the issues raised in 3b) concerning CSDR's implementation in the UK. It was noted however that a conference call between Derek, JG, MG and the QCA may be sufficient.</p>	<p>KH and CA to liaise with Mark Northway with regards to coming along to a future meeting.</p> <p>JG and CA to liaise with Derek Young to discuss possible attendance at a future meeting.</p>

5. NEXT MEETING

Wednesday 13 June 2018, 4.30pm – 6.00pm (Venue: Peel Hunt LLP, Moor House, 120 London Wall, London, EC2Y 5ET)